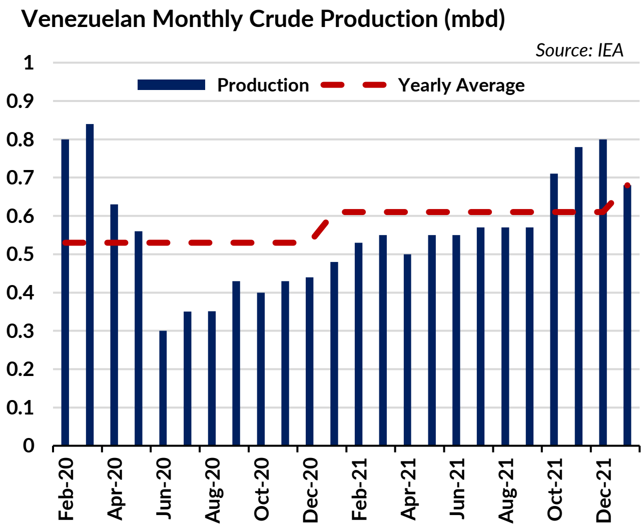
# Diplomatico

## Weekly Tanker Market Report

Surging global oil prices and Russian sanctions are forcing Western governments to approach those countries they previously sanctioned in response to alleged human rights and nuclear proliferation. As the market continues to assess the impact of the Russian invasion of Ukraine and the prospect of sanctioned Russian energy exports, the impacts are starting to be felt. Oil prices have risen to a 14-year high peaking at $139/bbl earlier in the week. The need to find viable alternatives is growing and the prospect of returning Venezuelan crude is on the table; with US diplomats meeting officials in Caracas to discuss such a deal. This comes off the back of a touted Iran nuclear deal that would facilitate the imminent return of Iranian crude to the market. In the case of Venezuela, PDVSA was sanctioned in 2019 by the Trump administration and diesel for crude swap agreements on humanitarian grounds were blocked in 2020. Since then, Caracas has struggled to maintain output and exports. Now with the world desperate for alternative supplies, previously strained relations could give way to a new partnership, if there is political will on both sides.




February IEA data shows 2021 daily production averaged 610kbd versus 530kbd in 2020, a rise of 15%. Volumes since October 2021 have risen the most in part thanks to the Iran-Venezuela condensate swap deal in which Iran exports condensate to Venezuela as an oil diluent in return for Venezuelan crude. Iran's intervention to supply blending products has allowed Venezuela to significantly ramp up oil exports via the global shadow fleet to Asia. January output was recorded at 680kbd down from December's 800kbd due to production difficulties and maintenance at the Boscan oil field all weighting on output levels. Exports were hampered by tanker availability in January.

The main issue is whether Venezuela could successfully ramp up production should sanctions relief come; the answer to this is probably not. Years of underinvestment means it would take time for Venezuela to build up exports to a level that could make a meaningful impact on oil prices. Surpassing 1mbd of exports from 0.4mbd in 2021 would likely take at least a year, if not longer and require foreign assistance. Nonetheless, it would be an important start in rebuilding the nation's oil industry. There is likely to be high demand for Venezuelan grades. US Gulf Coast advanced refineries could take at least half of the approximately 600kbd current output, supporting cross Caribbean Aframax tankers. Appetite in India and China is also likely to be high boosting longer haul VLCC and Suezmax tonne-mile demand. Previous European buyers are also likely to be keen to resume purchases. Appetite is likely to grow as production increases further over time.

Therefore, it is clear Venezuela on its own cannot solve the energy security concerns of importing nations alone. Russia exports nearly 7mbd of crude and products both West and East, and even with sanctions relief on both, Venezuela and Iran cannot at present match such volumes. However, even if sanctions are increased against Russia, at least some Russian exports to OECD countries are likely to find alternative markets in Asia. There is also the challenge of how Venezuela and Iranian crude could fit into the market alongside any sanctions on Russian exports. Many likely Eastern buyers of Iranian and Venezuelan grades are also likely to be buyers of discounted Urals, which may complicate their feedstock purchasing decisions. Overall, global oil trades will face pressure to reroute in response to the changing sanctions landscape and the business challenges this brings. It looks like Venezuelan oil might soon come out of the shadows if diplomatic efforts suceed.

# Crude Oil

## Middle East

A difficult week for both VLCC Owners and Charterers alike as higher bunker costs naturally bit deep into Owners returns and the volatile oil price kept most Charterers away from the playing field. Overall, a relatively quiet week but it looks as though Charterers gained the upper hand, with rates down to 270,000mt x ws 45-47 levels to the Far East and a voyage to Canada was reported at 280,000mt x ws 26 (via Cape). Suezmax rates here have settled and gradually came off throughout the week with TD23 paying 140,000mt x ws 45-47.5 now and East runs going at 130,000mt x ws 85 level. There is still a healthy amount of competitive tonnage for both East and West discharge, rates will be under pressure to hold current levels going into next week. Even though bunker prices were on the rise for the best part of the week, the Med Aframax market has had a correction down. This in turn has slightly softened Owners' sentiment in the AGulf region, especially given the healthy supply of tonnage available to Charterers. AGulf-East was pushing towards 80,000mt x ws 160, but as we close the week it is now closer to the ws 140 level.

## West Africa

A downward correction in VLCC rates was reported earlier in the week and thereafter Owners never really got the opportunity to push for a recovery as we saw a very quiet spell ensue. Aside from a couple of runs into India, Charterers have taken a step back with last done being 260,000mt x ws 48 to the East.

Owners have had very little to get their teeth into this week as enquiry levels have been slow and tonnage continues to build. Rates have softened to 130,000mt x ws 80 for WAF/UKCM and around ws 82.5 for Eastbound cargoes. Rates have been prevented from regressing further by staggeringly high bunker prices. Current fixing levels are competitive, and any further reductions will be voyage specific, otherwise a steady pattern should hold moving into next week.

## Mediterranean

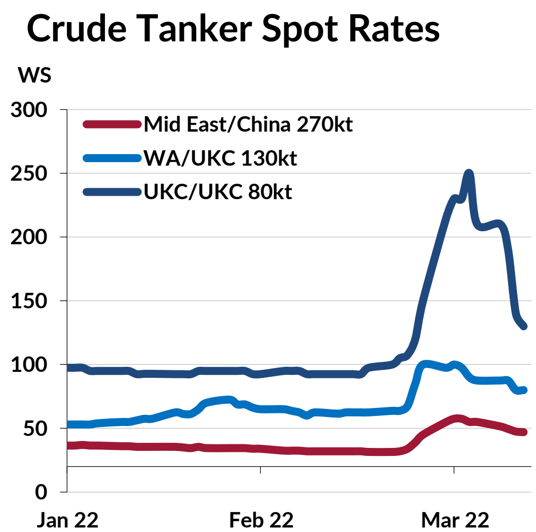
This week has seen the inevitable slide in rates for non-premium business. Tonnage which was waiting on the side-lines for rates to rise finally decided the time was right to strike... and what goes up must come down. The first vanilla Ceyhan Aframax voyage discounted to 80,000mt x ws 190 but by the close this dropped to ws 150. Libya and Sidi Kerir voyages were concluded at ws145 and ws122.5 but the rot now seems to have stopped. Bunker prices will help to arrest the slide in rates also. Conversely, Black Sea cargoes continue to pay a huge premium as Owners look to avoid security and reputational risk unless adequately compensated. Rates have slipped from a high of 80,000mt x ws 480 to around ws 440 and are now expected to be around ws 400. This represents significant earnings for Owners and will continue to do so while geopolitics continue to worry. Black Sea is the premium business and for the Suezmax Owners willing to call we are seeing healthy numbers paid, with TD6 currently trading at 135,000mt x ws 255-260 as earnings here continue to outperform other load regions by some margin. We have seen Black Sea/East numbers going for up to $9-10 million. The more 'Vanilla' and Far East runs have been attracting a healthy amount of offers, with some cargoes receiving up to 15 offers; this tells you all need to know about the state of play elsewhere. With tonnage in good supply, rates will hold into the weekend.

## US Gulf/Latin America

Even with a good number of Aframax Owners plying their wares across the pond, levels never really took a similar jump here as Charterers were able to control the supply of enquiry and keep sentiment in check. Last done was 70,000mt x ws 135 for a transatlantic run and around ws 150 for short haul. With a general softening in all regions, it was inevitable the VLCC rates here took a similar downward direction. Levels now are down to $5.5 million for a voyage US Gulf to the Far East, although spiralling bunker prices will no doubt toughen Owners position, if Charterers come calling looking for a discount.

## North Sea

A week of corrections at least for the North Sea market. The Baltic continues to march upwards, with limited tonnage willing Russian Baltic and hence gaining a hefty premium. X-North Sea is now trading at 80,000mt x ws 130 levels and, with the current bunker prices, is unlikely to dip much below this. Baltic/UKCont is trading at 100,000mt x ws 570-580 levels and for now will hold its ground.



*All rates displayed in graphs in terms of WS100 at the time

# Clean Products

## East

With the distillate arb wide open this week, the enquiry for MRs to move product West has skyrocketed. AGulf/UKCont rates have risen from $1.8 million on Monday to over $2.1 million to finish the week. LATAM delivery tenders have begun to surface again as ULSD prices soar in South America. The list of ships willing Argentina is very limited – the lack of triangulating and backhaul options means most Owners are calling it +$2.5 million today.TC17 again has had a disappointing week, with only 12.5 pts added on last done even with a prompt loading requirement. TC12 has been traded very quietly off market but with rate released – at ws 225 and ws 230, both being done for undisclosed Charterers. (TCE earnings at $26k/day). Short hauls remain difficult to cover as Owners look to make the most of good earnings on the longer runs. With bunkers steading, it wouldn't be a surprise to see some Owners with more exposure locking in some positions to finish the week.

Another strong week for the LR1s, where yet again westbound saw strong increases on each last done. UKCont at $3.25 million levels and Owners' ideas for TC5 at 55 x ws 225; however, this is a drive from West rates and yet to be tested. Owners are hoping for this push to continue, but with bunkers coming off by 10% by the end of the week, there is a feeling that both the LR1s and LR2s could be topping out and next week will see rates a little less volatile and remain steady.

It's a similar story for the LR2s, TC1 last done at 75 x ws 185, but no Owners there to do less than ws 200 at present. West bound ideas have also been inflated, with Owners wanting $4.0 million for UKCont. However, this is yet to be tested. With bunkers down, more Owners in the West accepting that they have to ballast East for a cargo, Charterers will not be paying these levels on a Friday. Instead, they are waiting, hoping the sentiment eases and that they can put pressure on some of the smaller outfits.

## Mediterranean

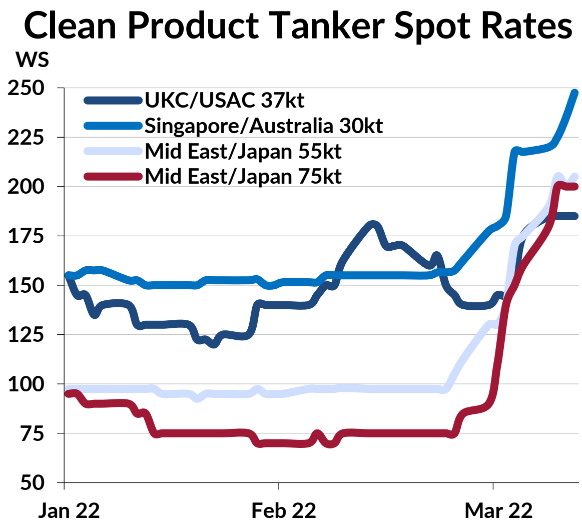
A fairly uneventful week passes for the Handies plying their trade in the Mediterranean, with slow enquiry levels being drip fed into the market and from an outsiders' view limited negative correction mainly due to the ever increasing bunker prices Owners have faced. The select Owners still willing Russian Black Sea load have been able to demand a hefty premium of over 150 ws points, with non-Russian sitting somewhere around 30 x ws 300. Expect opportunities to continue as further sanctions are put in place. Owners will be hoping for a little more consistency and flow of stems next week as under current levels, Charterers are looking for further negative correction from the 30 x ws 270 we now find ourselves in for X-Med runs.

Similarly, a little topsy turvy week seen for the MRs as enquiry mostly was fairly limited and the opportunity for fix short X-Med 30kt stems enticed a few. That being said, the second half of the week has certainly seen improvement in enquiries, with both States and East markets pushing. Owners are able to dig out a 5-10 point premium over their Continental cousins. Stable outlook here.

## UK Continent

This week ends with a decent amount of off market fixtures and that has shortened our TC2 list ex ARA and cleared majority of the front end. The added bonus is a lack of ballast units, with only a handful on the list. Prior the 15th of March, there are 9 vessels free in ARA and come Monday there could be 5 prompt free vessels… but also need to consider 2 are relets and one is Russian owned. As we head into the weekend, transatlantic is 37 x ws 180 level and it has sat there at the bottom (if last CPP). TC19 has jumped in its premium to 37 x ws 190-195, with Owners requiring a premium as TC14 looks like a good market to be a part of, therefore preferred route.

A split market remains in the North for Handies for loading ex Baltic. Fixing a Russian entity and Russian load port will see rates land around the 30 x ws 420 mark, although fixing a non-Russian entity will see levels trade at 30 x ws 360-380 level. Better demand has also been seen for X-UKCont and rates by the end of the week have improved to 30 x ws 200. A healthy amount of cargoes still remain uncovered and bullish Owners could see rates firm some more.

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# Dirty Products

## Handy

The 2 tier Handy market has been continued for another week both in the North and Med/Black Sea region. The fallout of this has been seen in the Med this week where rates for X-Med runs have seen substantial drops from last week's levels as volumes shrink considerably and the number of units in need of a cargo has grown by the day. Thus, whilst Russian exports kept a significant premium trading at ws 475, other Black Sea exports dropped 40 points to ws 200 and X-Med has seen a mixed bag of levels but by the end of the week has been revised downwards at first to ws 190 by mid-week, then down to ws 175 by the end of the week. With soaring bunker prices there is the hope from Owners that levels will not be challenged too much while the current volatile situation continues, however supply and demand fundamentals are still in play.

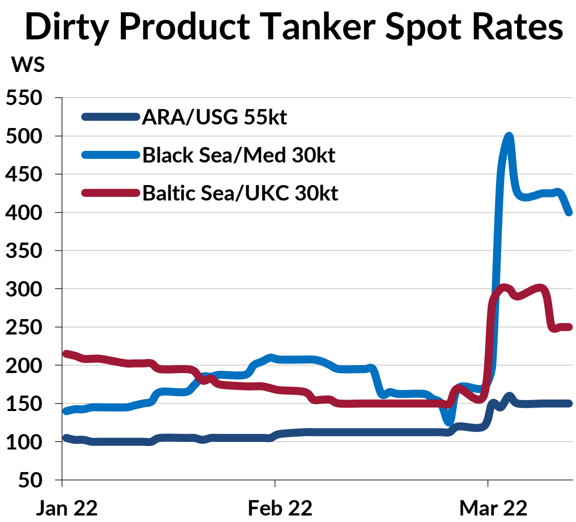
On a similar note, the North market could only manage a handful of cargoes for the whole week and rates were largely untested for quite some time, with Owners putting up a solid resistance when tested, at least to limit the increasing exposure they had to face on the bunker price. Overall, limited supply in tonnage helped in the short term and unlike the Med, earnings are still floating at mid-teens levels. Thus, Baltic non-Russia trades are closing the week at ws 255 and X-UKCont at ws 235. The premium for Russian trades is now at 100+ points, however, these runs are being treated very much on a case by case basis.

## MR

For a second week now, trends on the MRs have mirrored activity on the surrounding Handies where levels have remained mostly firm off the back of activity in both markets. One slight caveat to that however is that MRs in the North have been less reliant on the fall back of part cargo and have been tested on their own merit, with full stems surfacing mid-week. Despite there being more natural tonnage pushed in the region, levels held firm and going forward there may be an opportunity for a push on next done with tonnage now tight. In the Med, questions have been few and far between, however, we have seen Owners throw their hat in for part cargo opportunities to keep moving, with one test for non-Russian Black Sea establishing ws 165 as the latest benchmark.

## Panamax

With the recent up lift in sentiment from surrounding markets finding its way to the Panamaxes, new benchmark levels have been established with fresh enquiry surfacing. Natural tonnage has remained tight this side of the Atlantic, which has further served to swing sentiment in Owner's favour and as such, the market has seen repetition at the ws 150 level. Going forward there is potential for replenishment, and should we see any further firming in levels, ballasters may be attracted.

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## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | *wk on wk change* | Mar 10th | Mar 3rd | Last Month* | FFA Q1 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **-9** | 47 | 56 | 33 | 39 |
| **TD20** | Suezmax | WAF-UKC | **-13** | 81 | 94 | 62 | 70 |
| **TD7** | Aframax | N.Sea-UKC | **-100** | 135 | 235 | 95 | 120 |

## Dirty Tanker Spot Market Developments - $/day tce (a)

| | | | wk on wk change | Mar 10th | Mar 3rd | Last Month* | FFA Q1 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **-15250** | -11,000 | 4,250 | -11,250 | -19,500 |
| **TD20** | Suezmax | WAF-UKC | **-12250** | -500 | 11,750 | 2,000 | -6,500 |
| **TD7** | Aframax | N.Sea-UKC | **-74500** | 13,500 | 88,000 | -3,000 | 2,500 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | Mar 10th | Mar 3rd | Last Month* | FFA Q1 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **+44** | 194 | 150 | 74 | |
| **TC2** | MR - west | UKC-USAC | **+35** | 185 | 150 | 151 | 156 |
| **TC5** | LR1 | AG-Japan | **+24** | 202 | 178 | 97 | 130 |
| **TC7** | MR - east | Singapore-EC Aus | **+35** | 251 | 216 | 155 | 177 |

## Clean Tanker Spot Market Developments - $/day tce (a)

| | | | wk on wk change | Mar 10th | Mar 3rd | Last Month* | FFA Q1 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **+11750** | 25,500 | 13,750 | -4,750 | |
| **TC2** | MR - west | UKC-USAC | **+3750** | 3,750 | 0 | 5,750 | -1,500 |
| **TC5** | LR1 | AG-Japan | **+3750** | 17,750 | 14,000 | -250 | 0 |
| **TC7** | MR - east | Singapore-EC Aus | **+4250** | 14,000 | 9,750 | 4,250 | 1,250 |

*(a) based on round voyage economics at 'market' speed*

| | | | | |
|---|---|---|---|---|
| ClearView Bunker Price (Rotterdam VLSFO) | **+117** | 951 | 834 | 669 |
| ClearView Bunker Price (Fujairah VLSFO) | **+46** | 971 | 925 | 728 |
| ClearView Bunker Price (Singapore VLSFO) | **+72** | 976 | 904 | 730 |
| ClearView Bunker Price (Rotterdam LSMGO) | **+65** | 1161 | 1096 | 809 |

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